UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
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THE WHEAT LOAN RATE UNDER THE 1938 AAA PROGRAM

In recent weeks the Agricultural Adjustment Administration has received a number of inquiries as to why the loan rate under the 1938 wheat loan schedules was not fixed at 75 percent of the parity price of wheat, the maximum percentage permitted by the Agricultural Adjustment Act of 1938.

Under the provisions of the Agricultural Adjustment Act of 1938, wheat loans are made available to farmers who are cooperating in the Agricultural Conservation Program. The loans are part of an integrated ever-normal-granary program for the farm crops specifically mentioned in the Act.

It was intended by Congress that Government loans on wheat should be considered primarily as a measure for enabling the farmer to hold his wheat beyond the harvest-time rush to market and thus help him to get the best possible price for his wheat when he sold it. Such loans are not designed as an instrument or device for pegging prices.

At the time the Agricultural Adjustment Act was being considered and was taking shape in Congress, it was felt by members of Congress and the great majority of the farm organization people representing the large wheat-growing areas that wheat loans should not be at a level that would encourage the accumulation of wheat in this country to such an extent that nothing but disaster could come to the wheat farmers. The Act, as finally passed by Congress, did provide for a flexible loan rate, the larger rate, however, to be used only when it could be offered on a sound basis.

Setting the wheat loan rate at the maximum authorized in the Act would have seriously interfered with the movement of the large 1938 crop into domestic and foreign markets. It would prevent the United States from maintaining its fair share of the world export wheat market. Any interference with exports at this time would have the effect of making the 1939 carryover of wheat correspondingly higher, would make smaller 1940 acreage allotments necessary, and the excess supply retained domestically would exert a depressing effect on wheat prices in future years.

The wheat loans and the wheat acreage allotments are related parts of the whole AAA program for wheat. Combined with conservation payments, crop insurance, the buying of surplus wheat flour and cereals for relief distribution, the parity payments in 1939, and marketing quotas for use in emergency, they offer wheat farmers the best weapons they have ever had for combating surpluses and ruinous prices. At the same time, the wheat stored under loans and crop incurance is a safeguard against scarcity.

The Government can not continue, indefinitely, to offer loans if the farmers do not adjust their production to needs and get rid of and prevent burdensome surpluses. The new Farm Act provides not only wheat loans and crop insurance to help farmers handle the present surplus, but also the means for adjusting acreages so as to balance production and supplies with demand in the future.

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